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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 1992

MG2-2267

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File Number: 0-18309

PROCESSED BY
MAY 18 1992

MARINE DRILLING COMPANIES, IN

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(Exact name of registrant as specified in its

Texas	74-2558926
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

14141 Southwest Freeway - Suite 2500	Sugar Land, Texas	77478
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (713) 491-2002

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No ___.

The number of shares of Common Stock, $.10 par value, outstanding at May 13, 1992 was 18,838,643.

MARINE DRILLING COMPANIES, INC.

FORM 10-Q

FOR QUARTER ENDED MARCH 31, 1992

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SIGNATURES

MARINE DRILLING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 1992	December 31, 1991
	(Dollars in thousands, except per share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash	$ 5,297	$ 4,503
Restricted cash investments	827	7,237
Accounts receivable - trade and other	4,567	9,876
Prepaid expenses and other	619	1,506
Total current assets	11,310	23,122
PROPERTY AND EQUIPMENT, at cost	382,880	383,330
Less accumulated depreciation	176,581	173,038
Net property and equipment	206,299	210,292
NON-CURRENT PORTION OF ACCOUNTS RECEIVABLE	738	968
GOODWILL, net	10,972	11,150
OTHER	2,008	2,256
	$231,327	$247,788
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Long-term debt currently due	$ 80,922	$ 88,593
Accounts payable - trade and other	1,567	1,941
Accrued liabilities	14,823	13,578
Total current liabilities	97,312	104,112
LONG-TERM DEBT, non-current	59,702	59,702
14% CUMULATIVE EXCHANGEABLE PREFERRED STOCK: Redemption price of $100 per share plus dividends	59,386	57,233
STOCKHOLDERS' EQUITY:		
Common stock, par value $.10. Authorized 50,000,000 shares; issued and outstanding 18,838,643 shares	1,884	1,884
Additional paid-in capital	82,819	84,974
Common stock options outstanding	2,228	2,611
Accumulated deficit	(72,004)	(62,728)
Total stockholders' equity	14,927	26,741
	$231,327	$247,788

The accompanying notes are an integral part of these consolidated financial statements.

MARINE DRILLING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
	(Dollars in thousands, except per share amounts)	
REVENUES:		
Contract drilling	$ 6,314	$ 17,314
COSTS AND EXPENSES:		
Contract drilling	7,387	15,192
Depreciation and amortization	4,348	4,224
General and administrative	668	1,872
Operating loss	12,403	21,288
	(6,089)	(3,974)
OTHER INCOME (EXPENSE):		
Interest expense	(3,218)	(3,708)
Interest income	54	462
Other, net	(23)	(455)
Net loss	(3,187)	(3,701)
Preferred stock discount accretion and dividend requirements	(9,276)	(7,675)
Net loss applicable to common stockholders	(2,155)	(1,886)
	$ (11,431)	$ (9,561)
Loss per common share	$ (.61)	$ (.51)
Weighted average common shares outstanding	18,838,643	18,811,643

The accompanying notes are an integral part of these consolidated financial statements.

MARINE DRILLING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (9,276)	$ (7,675)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,348	4,224
(Gain) loss on disposition of equipment	41	(188)
Accrual of compensation expense (income)	(382)	192
Decrease in receivables	5,309	3,443
(Increase) decrease in prepaid expenses and other	887	(109)
Increase (decrease) in payables and accrued expenses	871	(2,312)
Other	249	292
Total adjustments	11,323	5,542
Net cash provided by (used in) operating activities	2,047	(2,133)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(2,924)
Proceeds from disposition of equipment	8	231
Net cash provided by (used in) investing activities	8	(2,693)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of debt	(7,671)	(1,131)
Decrease in restricted cash investments	6,410	648
Increase in investment in partnership	-	(556)
Net cash used in financing activities	(1,261)	(1,039)
Net increase (decrease) in cash and cash equivalents	794	(5,865)
Cash and cash equivalents at beginning of period	4,503	21,185
Cash at end of period	$ 5,297	$ 15,320
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 592	$ 2,871
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrual of cumulative dividends and accretion of discount on redeemable preferred stock	$ 2,155	$ 1,886

The accompanying notes are an integral part of these consolidated financial statements.

MARINE DRILLING COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1992
(Unaudited)

1. There are 2,000,000 authorized shares, $1 par value, of 14% cumulative exchangeable redeemable preferred stock (preferred stock) of which 437,021 shares are issued and outstanding. The preferred stock dividend is payable quarterly, at the rate of $14 per share per annum, if declared by the Board of Directors. In lieu of a cash dividend, the dividend may be paid under certain circumstances by the issuance of additional shares of preferred stock at a value of $100 per share. The Company has issued 87,021 shares in prior years for this purpose. If the quarterly dividend is not paid either in cash or by preferred stock, additional dividends shall accrue on the amount of dividends unpaid, compounding quarterly, at the rate of 14% per annum. No cash dividends have ever been paid with respect to preferred stock.

   Dividends on common stock are restricted while shares of preferred stock are outstanding. The difference between the fair value of the preferred stock at the date of issue and the mandatory redemption value is being recorded through periodic accretions with the related charge to additional paid-in capital. Dividends, not declared or paid, are being accrued by increasing the carrying amount with the related charge to additional paid-in capital. Additions to the carrying amounts for the three months ended March 31, 1992 and 1991 are $2,155,000 and $1,886,000.

   The accretion of discount and accrual of dividends related to the preferred stock are included in the calculation of loss per common share applicable to common stockholders.

2. The Financial Accounting Standards Board (FASB) has issued Statement 109, "Accounting for Income Taxes," which will supersede Statement 96, "Accounting for Income Taxes." The Company currently accounts for income taxes under APB 11, having elected not to adopt Statement 96 prior to its required effective date. Statement 109 will change the Company's method of accounting for income taxes from the deferred method to the asset and liability method. Statement 109 is effective for fiscal years beginning after December 15, 1992. The effect of initially applying this new pronouncement is to be reported as the cumulative effect of a change in accounting principle in the year of change or by retroactively restating the financial statements for any number of consecutive years before the effective date in the results of operations. The Company presently does not know and cannot reasonably estimate the impact of Statement 109 on its consolidated financial statements. The Company intends to adopt Statement 109 in 1993 on a prospective basis.

3. Certain reclassifications have been made to the 1991 consolidated financial statements to conform with the 1992 presentation.

4. The consolidated interim financial statements of the Company presented herein have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and notes required by generally accepted accounting principles for complete financial statements have been condensed or omitted. In the opinion of management, these statements include all adjustments (all of which consist of normal recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations for the interim periods presented. It is recommended that these statements be read in conjunction with the audited financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the entire year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company

Marine Drilling Companies, Inc. (MDCI, and collectively with its subsidiaries, the Company), formerly Marine Holding Company, is engaged in the contract drilling of oil and gas wells in the Gulf of Mexico for independent and major oil and gas companies. The Company's fleet consists of 19 jack-up rigs, 18 of which are owned by the Company and one of which is operated by the Company under a management and operating agreement. In addition, the Company owns a 50% interest in another rig which is currently held for sale. Previously, the Company operated 22 rigs in the three month period ended March 31, 1991. The reduction in the Company's fleet is attributable to the termination in January and October 1991, respectively, of the charter agreements under which the Company operated the MARINE 150 and MARINE 250 and the sale by the Company in August 1991 of the MARINE 5. The Company is among the largest providers of jack-up drilling services in the Gulf of Mexico and has been engaged in the contract drilling of offshore oil and gas wells since 1966.

The Company has suffered recurring losses from operations, and as of March 31, 1992, has an accumulated deficit of approximately $72,000,000 and a working capital deficit of approximately $86,000,000. In addition, the Company's subsidiaries have defaulted on certain loan agreements. The Company's plans in regard to these matters are included herein.

Strategic Objectives

The Company's strategic objectives are set forth below along with certain actions it intends to attempt in the future:

1. To provide value to its owners and lenders through a comprehensive repositioning of its fleet and capital structure--

   - The Company is attempting to restructure all of its subsidiaries' debt.
   - The Company is attempting to restructure its 14% Preferred Stock ($59.4 million).
   - The Company will attempt to obtain a working capital infusion through a sale of securities to its existing stockholders or others.
   - The Company may elect to downsize its fleet, keeping only the more marketable assets and disposing of the remainder. Alternatively, if non-drilling uses can be found for the less marketable rigs, the Company will attempt to so deploy those rigs.
   - In order to enhance the Company's ability to survive until business conditions improve, it has taken the following steps --

     a. General and administrative cash costs are expected to be reduced by over 50% from 1991 levels,
     b. Marketed rigs maintain significantly reduced crews during idle periods,
     c. Operations support costs are expected to be reduced by over 50% from 1991 levels,
     d. Non-marketed rigs are cluster-stacked at the lowest possible expense consistent with a reasonable maintenance program, and

e. Capital expenditures have been reduced to only those which are necessary for the Company's revised levels of operations and for upgrades to rigs expected to be relocated to international markets.

2. To maintain an emphasis on customer relationships and quality of service --

   - The Company's Gulf of Mexico operations for the short term will involve only a limited number of rigs which can be employed with its core customers at reasonable dayrate and utilization levels. All other rigs will be cold stacked and removed from the marketed fleet until market conditions improve.

3. To diversify into international markets --

   - The Company is aggressively marketing selected portions of its fleet internationally, either on a dayrate basis as the contractor or on a bareboat charter basis.

4. To enhance stockholder value through business combinations --

   - During the third and fourth quarters of 1991, the Company had several discussions with other parties interested in combining with or acquiring all or part of the Company. The Company had difficulty in developing any meaningful transactions due to its capital structure and liquidity situation, as well as the further deterioration in drilling market conditions occurring in late 1991.
   - The Company intends to continue to seek and participate in business combinations which it feels will add value to its owners. The Company believes that it will have greater opportunities to seek business combinations after it has successfully addressed its capital structure and liquidity concerns.

5. To protect the safety of its employees, assets and the environment --

   - The Company's safety program, extensively modified in 1990, has resulted in significant improvements,
   - The Company has added additional goals and areas of emphasis to that program and has set its 1992 safety goals higher than ever,
   - The Company maintains comprehensive insurance and risk allocation programs to protect itself and its owners, and
   - The Company's recycling programs, begun in 1991, will continue to be expanded to additional operational areas.

For the periods reported herein, the Company elected to deactivate certain of its rigs because of depressed industry conditions. The deactivated rigs (three in 1992 and four in 1991) are mat supported slot jackup rigs which have been stacked in clusters.

The Company elected during 1991 and 1992 to suspend marketing of certain rigs in addition to the deactivated rigs discussed above. Such elections have been made due to the significant reduction in jackup rig demand in the Gulf of Mexico and the unfavorable economics associated with marketing and operating rigs at low utilization levels. The Company's objective in electing this strategy is to maximize cash flow (i) by operating a lesser number of rigs at utilization and dayrate levels higher than industry averages and (ii) by maintaining the lowest possible stacking costs for its non-marketed rigs. During the first quarter of 1992, the number

of rigs included in the non-marketed category has varied from four to eight rigs and currently includes eight rigs. Rigs falling into this category are maintained in such a manner so as to incur minimal ongoing and reactivation costs. The Company will reactivate those rigs as market demand improves sufficiently to provide improved incremental cash flows compared to current levels or if more lucrative alternative uses can be developed therefor.

The offshore drilling industry continues to be intensely competitive and Gulf of Mexico jackup rig activity during the three month period of 1992 reflects a decrease compared to the prior year period. Incremental utilization and dayrates during 1992 have been subject to downward pressure due to depressed market conditions for natural gas. The following table sets forth certain data regarding both the industry and the Company's jack-up rigs for the periods indicated:

	Daily Averages		
	Three Months Ended		Year Ended
	03-31-92	03-31-91	12-31-91
Industry:			
Worldwide:[1]			
Total jack-up rigs	401	414	410
Contracted jack-up rigs	297	337	326
Utilization rate	74%	81%	80%
Gulf of Mexico:[1]			
Total jack-up rigs	127	154	144
Contracted jack-up rigs	60	105	91
Utilization rate	47%	68%	63%
Company (Historical):			
Total jack-up rigs[2]	19	22[3]	21[3]
Contracted jack-up rigs	4	11	12
Utilization rate	21%	50%	56%
Share of Gulf of Mexico market (contracted jack-up rigs)	7%	10%	13%
Average dayrate[4]	$17,379	$17,072	$15,547

(1) Source: *Offshore Data Services*.

(2) Includes ten and five of the Company's rigs which were not marketed and/or deactivated during 1992 and 1991, respectively.

(3) Calculations include the MARINE 3 of which the Company owns a 50% interest and which is being held for sale as of March 31, 1992.

(4) "Average Dayrate" is determined by dividing the total gross revenue earned by the Company's jack-up rigs during a given period by the total number of days that the Company's rigs worked during that period.

The following analysis discusses the Company's financial condition and results of operations for the three month periods ended March 31, 1992 and 1991.

Results of Operations

Revenues. Drilling revenues from operations for the three months ended March 31, 1992 decreased $11,000,000 (64%) from $17,314,000 to $6,314,000 compared to the same period in 1991. The decrease was primarily the result of decreased rig utilization from 50% to 20% for the three months ended March 31, 1992 compared to the same period in 1991. The decline in utilization is associated with the downturn in the domestic economy and more precisely with the low prices for domestic natural gas. Although the utilization rates decreased, the average dayrates increased from $17,072 per day to $17,379 per day (2%) for the three months ended March 31, 1992 compared to the same period in 1991. This contradictory movement in rig utilization and dayrates is the result of the greater utilization of the larger, more specialized rigs at higher dayrates while the other rigs are utilized less at generally lower dayrates.

Costs and Expenses. Contract drilling expenses for the three months ended March 31, 1992 decreased $7,805,000 (51%) from $15,192,000 to $7,387,000 compared to the same period in 1991. The decrease was primarily the result of decreased rig utilization compared to the same period in 1991 but partially offset by retaining rig crews on certain marketed, but idle, rigs to keep such rigs in a work-ready condition. In addition, the current period included ten non-marketed and/or deactivated rigs compared to five non-marketed rigs for the same period in 1991.

General and administrative expenses for the three months ended March 31, 1992 decreased $1,204,000 (64%) from $1,872,000 to $668,000 compared to the same period in 1991. General and administrative expenses decreased primarily from cost savings related to reductions in staff, the combination of the corporate and marketing offices and the reversal of previously recorded compensation expense related to stock options expiring in 1992.

Interest Expense. Interest expense for the three months ended March 31, 1992 decreased $490,000 (13%) from $3,708,000 to $3,218,000 compared to the same period in 1991. The decrease was primarily the result of lower interest rates applied to certain, and overall decreased, debt for the three month interim period.

Interest Income. Interest income for the three months ended March 31, 1992 decreased $408,000 (88%) from $462,000 to $54,000 compared to the same period in 1991. The decrease was primarily the result of fewer funds available for investment during the respective interim period and lower interest rates.

Other Income and Expense, Net. Other expense, net, for the three months ended March 31, 1992 decreased $432,000 (95%) from $455,000 to $23,000 primarily due to lower rig charter expense.

Liquidity and Capital Resources

HISTORICAL

The Company had negative working capital balances of $86,002,000 and $80,990,000 at March 31, 1992 and December 31, 1991, respectively. The Company's current ratios as of March 31, 1992 and December 31, 1991 were (0.1) and (0.2), respectively. The working capital deficit increased primarily due to negative cash flows resulting from depressed revenues and industry conditions and reclassification of defaulted debt from long-term to current.

The Company provided cash of $2,047,000 for operations for the three months ended March 31, 1992 compared to $2,133,000 used for operations for the same period in 1991. Cash provided by operating activities consisted primarily of a reduction in receivables and other assets. The use of cash in 1991 was primarily related to overall drilling activity.

The Company provided net cash of $8,000 in investing activities for the three months ended March 31, 1992 compared to net cash of $2,693,000 used by investing activities for the same period in 1991. During the first three months of 1991, cash of $2,693,000 was used for the purchase of capital assets, consisting primarily of rig renovation costs, drill pipe, and other items. The Company plans minimal capital expenditures in 1992 with the exception of modifications to certain rigs expected to be relocated to international markets to the extent financing can be arranged.

The Company used net cash of $1,261,000 in financing activities for the three months ended March 31, 1992 compared to net cash of $1,039,000 used by financing activities for the same period in 1991. During the current three month period restricted cash investments decreased $6,410,000 and debt payments of $7,671,000 were made, compared to 1991 results which included decreased restricted cash investments of $648,000 and an increased investment in a partnership by $556,000. The $6,410,000 decrease in restricted cash investments was the result of a lender declaring a note in default by one of the Company's subsidiaries during February 1992. Therefore, the lender applied the restricted cash balance to the principal payment on the note.

As a result of the activities described above, net cash and cash equivalents increased $794,000 during the three months ended March 31, 1992 while net cash and cash equivalents decreased $5,865,000 during the same period in 1991. Cash and cash equivalents at the end of each of those respective periods was $5,297,000 and $15,320,000.

CURRENT LIQUIDITY SITUATION

As a result of deteriorating contract drilling demand, the Company's operating revenues declined markedly in late 1991 and thus far in 1992. The Company and its subsidiaries have inadequate levels of working capital for the near term. Additionally, the Company's financial condition is adversely affecting its ability to contract its rigs. As a result, the Company is presently discussing various alternatives including, but not limited to, a comprehensive restructuring and recapitalization plan with all of its subsidiaries' lenders and most of its preferred stockholders. Substantial amounts of debt and all preferred stock may be exchanged for common stock and certain rigs may be sold, scrapped or offered to the subsidiaries' lenders under the terms of collateral agreements related to long-term debt obligations. Such

transactions, if consummated, would likely result in substantial dilution to its common stockholders. The Company has researched the possibility of raising additional capital through sales of assets, however, at the current time it believes that such actions would not result in proceeds sufficient to retire meaningful amounts of debt or provide meaningful increases in working capital. Accordingly, the Company will attempt to raise additional working capital through a sale of securities to its existing stockholders or others in connection with or following a recapitalization.

Virtually all steps being considered by the Company are contingent upon each other and there is no assurance that any action can be completed before the working capital resources of the Company and its subsidiaries are exhausted. In the event that one or more steps of the plan cannot be completed, the Company will attempt to complete those which continue to appear feasible. Alternatively, the Company's subsidiaries will consider several possible actions including reorganization under bankruptcy (Chapter 11), liquidation under bankruptcy (Chapter 7), offering certain rigs to their respective lenders and selling certain rigs. The Company may continue to own and operate certain rigs financed by U.S. Government Guaranteed (Title XI) bonds administered by the United States Maritime Administration (MarAd). These rigs will be operated pursuant to a 1991 agreement among the Company's subsidiaries and MarAd. This agreement provides for those subsidiaries' continued control and operation of the Title XI financed rigs up to eighteen months subsequent to a debt default.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

General

The Company has various claims filed against its subsidiaries in the ordinary course of business, particularly claims alleging personal injuries. It is the belief of management that the Company has established adequate reserves for any liabilities which may reasonably be expected to result from these claims.

In the opinion of management, no pending claims, actions or proceedings against the Company would have a material adverse effect on its financial position or results of operations.

MARINE 7 Litigation

The Company has discovered damage to one of its rigs that reduced its maximum water depth capability. The rig is currently stacked awaiting repair. The Company has conducted extensive negotiations with the manufacturer in an attempt to resolve the responsibility for the repairs and necessary related design modifications. The negotiations were unsuccessful and the Company has initiated litigation against the manufacturer. The repairs and design modifications will likely be delayed during the pendency of the litigation, which could be several years. The ultimate outcome of the litigation cannot be determined and no amount has been recognized in the financial statements for possible collection of any claims asserted in the litigation.

ITEM 2. CHANGES IN SECURITIES

No response required.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company's subsidiaries have failed to make certain principal, interest and guarantee fee payments relating to all five of the Title XI bond agreements. Consequently, the total principal of $58,395,000 and accrued interest of approximately $4,169,000 and guarantee fees of approximately $313,000 are now currently due on the Title XI bonds.

In addition, one of the Company's subsidiaries failed to make a certain principal payment on a note payable to a bank. Additionally, as a result of this default, the lender declared another one of the Company's subsidiaries' note in default, although, the Company considers the lender's actions to be improper with respect to this note. Consequently, the lenders declared both notes immediately due, applied the funds in the Cash Collateral Account against the respective notes and made demand for payment of the outstanding principal balances of $13,501,000 and $9,026,000, respectively.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No response required.

ITEM 5. OTHER INFORMATION

No response required.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits:

None

b) Reports on Form 8-K:

Report of the Company dated February 10, 1992 disclosing defaults on the indebtedness of certain subsidiaries and the election of Mr. James E. Thomas by the Board of Directors to fill the Director's position previously held by Mr. Ernest H. Pomerantz.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARINE DRILLING COMPANIES, INC.
(Registrant)

Date: May 14, 1992

By _____
William O. Keyes
President, Chairman of the Board
and Director
(Chief Executive Officer)

Date: May 14, 1992

By _____
William H. Flores
Senior Vice President - Chief Financial Officer
and Director
(Principal Financial and Accounting Officer)